

# CUMMINGS ECONOMICS

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## **1. THE DECISIVE ROLE OF SMALL TO MEDIUM SIZED FIRMS IN THE DEVELOPMENT OF TOURISM IN QUEENSLAND'S TROPICAL NORTH**

**2.** As is well known, tourism in the Cairns region has come a very long way over the past 30 – 40 years:

- From estimated visitor numbers of 293,000 to the area Bowen north in 1970 <sup>(1)</sup> to over 2 million in the Cairns region alone today,

**3.** - From Cairns airport passenger movements of about 101,000 in 1969 <sup>(2)</sup> to about 4 million.

This paper identifies the decisive role of small to medium sized local businesses and organisations in achieving that growth.

**4.** The first thing to recognise is that the fundamental natural attributes upon which tourism in the Cairns region has been built (the reefs, the rainforests and tropical ambience), have been around all along.

While it was the minerals and agricultural potential of the region, along with pearling, that provided the basis for the Cairns region's economic growth up until the 1970's, the area's tourism potential was recognised right from the earliest days.

**5.** The "Tropical Wonderland" as it was then being marketed, had a world class combination and quality of tourist attractions in a relatively small area.

**6.** The Cairns of the 1950's and 1960's already included the winter cruise ship visits of the Manunda and the Manoora, the arrival of the old steam driven Sunshine Express from Brisbane and the introduction of the new air-conditioned Sunlander. It included Hayles ferries to Green I, White Car tours of the Tablelands, Paronella Park, the Kuranda rail trip, and the scenic drive to Port Douglas with Hartleys Creek Zoo on the way.

By the 1960's however, underlying economic trends were at work that provided an opportunity for tourism to become a major player in the region's economy.

7. The first of these was the global growth in demand for tourism product. As world incomes rose during the post war period, marginal dollars were increasingly being spent on travel. For the Cairns region, there was growing potential demand from southern Australia, but also from distant overseas markets in North America and Europe. The region would increasingly benefit from being relatively close to the great global growth area of Eastern Asia.

However, probably of even greater importance to the region's prospects, was transport developments that progressively broke down the travel time and cost barriers of being a region remote from major markets in Australia, which itself was remote from major overseas markets.

In fact, the whole history of tourism in the region can be written in terms of developments in transport technology – the initial arrival of visitors by passenger ships, especially during the winter months, the linking of railway in the 1920's and the development of rail tourism to the area (what is now Tourism Queensland originated as a division of Queensland Railways), the improvement of roads, coaches and the family car and caravan in the post war period, and finally, the advent of air travel, with the upgrading and opening of Cairns airport to long distance international flights by wide bodied jets in March 1984, a landmark event.

Another underlying trend of importance however, and one not often recognised, was the development of technology suited to the area.

One of Cairns' major underlying advantages in world tourism markets, is its first-world levels of safety and comfort. The advent and widespread adoption of air-conditioning (not only in accommodation, but also in shops, airport terminals, coaches and reef ferries), had an impact, especially on making visitation more comfortable during the summer and wet season months.

While the Great Barrier Reef is a major drawcard, getting visitors to the reef without them getting seasick and actually viewing the coral, presented its challenges. Early industry photos show visitors experiencing the reef by walking on it at low tide. The region's frontier engineering capabilities enabled solutions to be developed. Four-wheel drive coaches and adaptation of cableway technology were important in facilitating viewing of the rainforests.

And finally, success breeds success factors progressively helped. Infrastructure improved. Better roads and higher bridges reduced touring problems during the wet season. Increased visitor numbers enabled niche attractions like Aboriginal Dance Theatre to be developed.

8. In solving the problems and exploiting the opportunities, by and large, it was small to medium sized local firms that led the way.
9. Indeed, up until the early 1980's, apart from the transport sector, virtually the whole industry was composed of small to medium sized local firms.
10. Even in the transport sector, it was local Tommy MacDonald Airways, that had pioneered the Cairns to Brisbane route and it was local Bush Pilots Airways along with Northern Territory operator Connair that pioneered the vital Cairns/Alice Springs air route. When Connair went broke about 1975, national carrier TAA only put aircraft on the route as a favour to the Australian Tourism Commission and the local Board for Tourism and Travel. With jets on the route, it never looked back.
11. Even the Japanese market was not opened up by the big carriers. It was opened up by the former FNQ Promotion Bureau (now TTNQ), working with the small international carrier Air Niugini (that had established flights to Japan's southern most city Kagoshima in the early 1980's). This pioneering effort was to play a major role in arguing the case for the upgrading of Cairns airport to take large wide-bodied jets direct from overseas.
12. Reef visitation was established by local Townsville based company Hayles, who ran single hull ferries to Green I for many years. People walked on the reef or saw it from glass bottomed boats until the Underwater Observatory was built by a local business group including Vlassoff and Grigg in the 1950's, the first of its kind in the world.
13. The next major step up came from Jim and Jo Wallace who saw an opportunity to run ex Port Douglas to Low Isles using one of the river ferries from Hobart that had become surplus once their bridge was rebuilt in the late 70's. The real advance came however, when Jim and Jo saw an opportunity to introduce newly developing catamaran technology. Local medium sized ship building company, NQEA, was happy to help and played a major role in introducing the new technology.
14. The gleaming aluminium "Quicksilver" ushered in a new era that, in a relatively few years, saw the development of the "Wave Piercers", extension of visitation to the outer reefs, platforms, and semi submersible viewing introduced into the industry.
15. The first four-wheel drive coach in the region was built by Garry Wallace to operate into Cape York Peninsula – an ungainly looking thing, a small Toyota coach body mounted on a 4-wheel drive chassis dubbed 'the Beast'. (The slide shows the second one built "The Bustard".

16. The original Skyrail to Kuranda concept came from local "Laroc Coral Jewellery" manufacturer, Gordon McKaige, but was put in place by the local Chapman family.
17. Local Aboriginal leader, Mick Miller, failed to get Aboriginal Dance Theatre "Warrama" off the ground, but Don and Judy Freeman, working with David Hudson, succeeded with Tjapukai.
18. While coach travel to Cairns has been dominated by national carriers, local small to medium sized coach companies have dominated local touring – the Woodward family's "Tropic Wings", the Dixon family's "Down Under Tours" and others. They have been a highly significant force both in development and marketing the region's attractions.
19. White water rafting, ballooning and skydiving was mainly developed by local small firms.
20. Small local operators like Garry Zillfliesch operated the iconic Hartley's Creek Crocodile Farm and the local Freeman family developed "Wild World" and subsequently upgraded Hartley's Creek.
21. After the redeveloped airport opened in 1984 and the dollar dropped in value during a period of strong domestic and international economic growth, massive growth took place in the late 1980's. Visitor nights in hotels and motels in the region doubled in three years, sparking off a massive need for investment in accommodation. This required amounts of capital well beyond local resources and needed to be met from major national and overseas sources.

But it needs to be recorded that small to medium local firms played the key creative role in initially conceptualising the major hotel projects and in seeking out the capital to build them, and then selling them on to outside operators and investors.

22. The Kamsler family built and still owns the Pacific International; the Mantors from PNG built Aquarius; the ground breaking Ramada at Palm Cove was initiated by a local business group led by Peter Jans; the Townsville based Kern family initiated the Hilton; and Ingham investors and accountant, Chris D'Allosto, effectively developed Tradewinds Esplanade.

- 23.** While creation of Cairns International was not led by local businesses, it was a Newcastle group that built it with funding from the Sultan of Brunei.

The ready response of local small to medium sized businesses in seizing the opportunities extended to the Cominos family and others in developing a CBD shopping response and to local restaurateurs.

- 24.** In marketing the region, I should also record that the initial thrust did not come from governments. As the region came to realise and appreciate the potential of the industry in the late 1960's and early 70's (something that was helped greatly by the Australian National Travel Association's study team report in 1972 and the Pacific Area Travel Association's report in 1981), it was the region's small to medium local businesses and its local authorities that seized the day under the leadership of Johnstone Shire Chairman, Roy Dickson, Cairns Mayor, Dave de Jarlais, and leading businessmen like Peter Forness, George Chapman and others. They created what has become today Tourism Tropical North Queensland.

- 25.** They brought in professional fund raisers, and in 1972, raised from local sources a budget, unprecedented in regional Australia at the time, of over \$45,000 a year over 4 years (about \$380,000 a year and a total of \$1.5 million in today's values and \$3 million on today's values and population), an amount that enabled the region to employ full-time professional staff to promote its tourism.

What is significant is that the great bulk of this money came from the region's small to medium sized businesses and small local governments.

The contribution from the Queensland Government Tourist Bureau of \$1,000 represented only 2½% of the organisation's budget and there was no funding from the Commonwealth.

This is not to say that the airlines, the Queensland Tourist Bureau, and the Australian Tourist Commission were not helpful in helping the organisation achieve its objectives.

However, the prevailing attitude was that:

If we were going to realise the opportunity that was presenting itself, the whole region needed to come together in one organisation, and the region's businesses and local government needed to get behind it.

If we waited for the government to do it, it wouldn't get done.

- 26.** And when it came to the organisation doing its job, there was one small to medium sized local business that was critical. Local printer, Bob Bolton, had already realised the growing potential of tourism, had built up a stock of photographs of local attractions, had installed colour printing machines well in advance of what was available in equivalent non-metropolitan regions, and developed an artwork capacity.

It enabled the region to move forward rapidly with excellent locally produced brochure and promotional material without having to go to all the expense and trouble of organising printing and presentations out of Brisbane.

This was a major advantage, not only to the then FNQ Board for Tourism and Travel, but to the many growing tourism businesses in the region.

- 27.** Local photographers like John Trost and Yon Ivanovich and later Peter Link,...
- 28.** Peter Jarver, Rick Steneger have played an important support role ...
- 29.** along with artists like Charlie Charanbolous, Rob Jensen and others.

I like to think that my own firm helped provide support services to the industry well in advance of what has been available in other parts of Australia.

- 30.** Of course, tourism in the region has grown a great deal and attracted investment and involvement of national and international firms.

Some of the local firms have expanded to become significant players in tourism in the region and even beyond the region such as the Woodward's CAPTA Group and the Chapman Group.

Government support for the industry is much stronger than it was.

- 31.** However, some of this has brought its dangers and drawbacks. I want to express my concern:
- That the industry may be becoming over dependent on governments and reacting to government priorities rather than its own:
  - An attitude developing of the world owes us a living and of being separate and divorced from the general business community from which it has sprung and been nurtured.

- 32.** The last few years have also been dispiriting ones for the industry as a very high Australian dollar and aircraft capacity constraints took their toll.

As in similar circumstances in the mid-90's, the Japanese market plateaued and drifted downwards.

But, the pendulum has been swinging - the dollar has dropped like a stone in recent months, fuel prices have fallen, and long awaited new fuel efficient aircraft capacity is on its way.

Although there are some concerns that economic conditions will result in a reduction of travel by Australians, Americans and Europeans, I don't believe that it is going to be as bad as some are predicting, especially from Japan and emerging markets in Asia.

- 33.** Colleague, Rick Carr's observations on the 'counter cyclical' nature of Cairns' tourism, seems to be emerging again and that we will see the conditions improve for the region's small to medium sized businesses to meet the challenges the industry faces today such as:

- For expansion of product offerings, including beyond the Cairns/Port Douglas/Kuranda triangle.
- Of opening up new overseas and niche markets.
- Of capturing a growing 'baby boomer' grey nomad market.
- Of turning the challenges of climate change policies into a positive.

**34.** THANK YOU

<sup>(1)</sup> Note: Australian National Travel Association – Travel Industry Appraisal and Recommendations – The North Queensland Region, 1971.

<sup>(2)</sup> Note: Far North Queensland Promotion Bureau – International Airport Development in Northern Queensland, July 1980.